

1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE PENNSYLVANIA ECONOMY

The importance of small business to the state of Pennsylvania is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

Number of Businesses - In 1996, Pennsylvania had 236,276 businesses with employees; 98.5 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 379,000 self-employed persons in 1996, for an estimated total of 615,276 businesses.

Small Business Income - The income of sole proprietors and partners rose 3.3 percent to \$22.6 billion in 1996, while wage-and-salary income rose 4.7 percent. Total personal income rose 4.6 percent to \$179.8 billion. The state also exported \$17.4 billion of goods in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 299,800 women-owned businesses in Pennsylvania, including part-time firms, employing 861,600 people and generating \$103.5 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 64.7 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 35.7 percent from 1987 to 1992, totaling 15,917 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 95.7 percent during the same time period with 5,186 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 7,189 in 1987, to 12,053 in 1992, representing a 67.7 percent increase.

Business Turnover - The number of new firms increased 6.8 percent, while new business incorporations increased 4.8 percent in 1996. Financial difficulties leading to business bankruptcies increased by 5.6 percent and business failures increased by 5.8 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in Pennsylvania decreased from 254 in 1994 to 213 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
PENNSYLVANIA ST BK	Camp Hill
JERSEY SHORE ST BK	Jersey Shore
COMMUNITY B&TC	Forest City
FIRST NB OF BERWICK	Berwick
OLD FORGE BK	Old Forge
FIRST NB OF LEESPORT	Leesport
FIRST COLUMBIA B&TC	Bloomsburg
COLUMBIA CTY FARMERS NB	Bloomsburg
WILLIAMSPORT NB	Williamsport
FARMERS NB OF EMLENTON	Emlenton
JUNIATA VALLEY BK	Mifflintown
COUNTY NB	Clearfield
1ST SUMMIT BK	Johnstown
OMEGA BK NA	State College
CITIZENS & NORTHERN BK	Ralston
YORK B&TC	York
NATIONAL CITY BK OF PA	Pittsburgh

Job Growth - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 65.3 percent of the small business growth. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	164,725	56,580	20,784	96,966	(156,573)	182,482
Manufacturing	5,831	6,554	(1,099)	26,139	(107,984)	(70,560)
Retail Trade	28,802	5,362	3,187	19,739	(32,081)	25,009
Services	90,247	36,045	25,718	51,076	(42)	203,044
Other	39,846	8,620	(7,024)	11	(16,465)	24,987

Industries - The composition of small business in Pennsylvania is very diverse. The Health Services industry is the largest small business employer in Pennsylvania, followed by Eating & Drinking Places. The fastest growing industry for small business is Rubber & Miscellaneous Plastics Products (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Pennsylvania by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	4,582,551	100.0	51.5
Health Services	8000	573,252	12.5	38.8
Eating & Drinking Places	5800	284,245	6.2	67.2
Business Services	7300	240,814	5.3	53.9
Educational Services	8200	172,197	3.8	29.0
Food Stores	5400	164,907	3.6	47.7

Table 2, Top Five Small Business Industries in Pennsylvania by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	2,358,357	100.0	51.5
Health Services	8000	222,156	12.5	38.8
Eating & Drinking Places	5800	190,893	6.2	67.2
Business Services	7300	129,855	5.3	53.9
Wholesale Trade - Durable Goods	5000	120,778	3.5	75.1
Special Trade Contractors	1700	105,815	2.6	88.7

Table 3, Fastest Growing Industries for Small Business in Pennsylvania, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	2,379,479	2,358,357	(21,122)	(0.9)
Rubber & Miscellaneous Plastics Products	21,544	23,466	1,922	8.9
Textile Mill Products	12,633	13,526	893	7.1
Chemicals & Allied Products	10,651	11,280	629	5.9
Automotive Repair, Services, & Parking	30,674	32,330	1,656	5.4
Transportation Services	8,752	9,128	376	4.3

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.